

QWEST DEPRECIATION WAIVER EX PARTE

August 11, 2005

FOLLOW-UP QUESTION RESPONSES

1. Accounting for retirements and costs of removal. Describe the affect the adoption of FAS 143 had to Qwest. Was the reserve balance adjusted to remove the salvage impact? If so, what was the impact?

Response: *Following is an excerpt from the Qwest Corporation ("Qwest") 10-K for the year ended December 31, 2003, that describes the affect the adoption of FAS 143 had on Qwest.*

New Accounting Standards

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations", or SFAS No. 143, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, generally referred to as asset retirement obligations. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation. If a reasonable estimate of fair value can be made, the fair value of the liability shall be recognized in the period it is incurred, or if not, in the period a reasonable estimate of fair value can be made. This cost is initially capitalized and then amortized over the estimated remaining useful life of the asset. We have determined that we have legal asset retirement obligations associated with the removal of a limited group of long-lived assets and recorded a cumulative effect of a change in accounting principle charge upon adoption of SFAS No. 143 of \$7 million (an asset retirement obligation of \$12 million net of an incremental adjustment to the historical cost of the underlying assets of \$5 million) in 2003.

Prior to the adoption of SFAS No. 143, we included in our group depreciation rates estimated net removal costs (removal costs less salvage). These costs have historically been reflected in the calculation of depreciation expense and therefore recognized in accumulated depreciation. When the assets were actually retired and removal costs were expended, the net removal costs were recorded as a reduction to accumulated depreciation. While SFAS No. 143 requires the recognition of a liability for asset retirement obligations that are legally binding, it precludes the recognition of a liability for asset retirement obligations that are not legally binding. Therefore, upon adoption of SFAS No. 143, we reversed the net removal costs within accumulated depreciation for those fixed assets where the removal costs exceeded the estimated salvage value and we did not have a legal removal obligation. This resulted in income from the cumulative effect of a change in accounting principle of \$365 million before taxes upon adoption of SFAS No. 143 in 2003. The net income impact of the adoption is \$219 million (\$365 million less the \$7 million charge disclosed above, net of income taxes of \$139 million). Beginning January 1, 2003, the net costs of removal related to these assets are being charged to our consolidated statement of operations in the period in which the costs are incurred.

Breakdown of amounts used in 10-K disclosure:

	(\$M's)
	<u>Reported</u>
Reversal of Excess Removal Costs	<u>365</u>
Net Asset	5
Retirement Obligation	<u>(12)</u>
Net Asset Retirement Obligation	<u>(7)</u>
Cumulative Effect	358
Taxes	<u>(139)</u>
Net Income Impact	<u>219</u>

2. Plant account install and retirement. Provide a detailed example of how a plant account install and retirement (including salvage impacts) would be accounted for under Qwest's financial books and regulatory books.

Response: See Attachment I.

3. FAS 143. Clarify how Qwest's interpretation of FAS 143 relates to the "legal obligation" to remove an asset.

Response: Qwest uses the following definition of legal obligation contained in paragraph 2 of SFAS 143, "a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel {footnote omitted}."

4. Pole attachments. How might this waiver request impact Qwest's prices for pole attachments?

Response: Current Qwest annual pole attachment rates for cable providers, using the FCC's methodology and presumptions, are in the range of \$.70 - \$3.00.¹ The impact of the waiver request would slightly narrow that range, from \$.90 - \$2.90, with about half the states seeing some increase and the other half seeing a decrease in rates. The overall Qwest rate would change very little.

5. ARMIS. Why doesn't the net book cost amount (\$16B) included in Attachment A to the waiver tie to Qwest's ARMIS report?

Response: The net book cost amount does tie to Qwest's ARMIS report as shown in Attachment II.

6. Net book calculations. Provide supporting information (gross plant and reserve amounts) to the net book calculations included in Attachment A of the waiver.

Response: The amounts that were included in Qwest's waiver for depreciation regulation, WC 05-259, are highlighted in Attachment II.

7. Reserve balances. Provide Qwest's regulated and financial reserve balances and percentages.

Response: See Attachment II.

¹ In Qwest's territory, one state, Oregon, uses a different assumption for usable pole space and is, therefore, outside the given range. However, the impact of this waiver will be a slight reduction in the Oregon pole rates.

Quest Corporation
Depreciation Accounting Comparison
Regulatory vs Financial

ATTACHMENT I
Page 1 of 2

The example below compares the accounting impact of recording a "write to zero" asset acquisition on the company's regulatory books versus the financial books. The regulatory example reflects the impact of recognizing the loss of value as part of the depreciation plan. The financial example illustrates the impact of recording a partial disposal when recorded in accordance with GAAP.

Regulatory Books		Year 0		Year 1		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		Year 8		Year 9		Year 10		Year 11		Year 12		Year 13		Year 14		Year 15		Year 16		Year 17		Year 18		Year 19		Year 20		Year 21		Year 22		Year 23		Year 24		Year 25		Year 26		Year 27		Year 28		Year 29		Year 30		Year 31		Year 32		Year 33		Year 34		Year 35		Year 36		Year 37		Year 38		Year 39		Year 40		Year 41		Year 42		Year 43		Year 44		Year 45		Year 46		Year 47		Year 48		Year 49		Year 50		Year 51		Year 52		Year 53		Year 54		Year 55		Year 56		Year 57		Year 58		Year 59		Year 60		Year 61		Year 62		Year 63		Year 64		Year 65		Year 66		Year 67		Year 68		Year 69		Year 70		Year 71		Year 72		Year 73		Year 74		Year 75		Year 76		Year 77		Year 78		Year 79		Year 80		Year 81		Year 82		Year 83		Year 84		Year 85		Year 86		Year 87		Year 88		Year 89		Year 90		Year 91		Year 92		Year 93		Year 94		Year 95		Year 96		Year 97		Year 98		Year 99		Year 100		Year 101		Year 102		Year 103		Year 104		Year 105		Year 106		Year 107		Year 108		Year 109		Year 110		Year 111		Year 112		Year 113		Year 114		Year 115		Year 116		Year 117		Year 118		Year 119		Year 120		Year 121		Year 122		Year 123		Year 124		Year 125		Year 126		Year 127		Year 128		Year 129		Year 130		Year 131		Year 132		Year 133		Year 134		Year 135		Year 136		Year 137		Year 138		Year 139		Year 140		Year 141		Year 142		Year 143		Year 144		Year 145		Year 146		Year 147		Year 148		Year 149		Year 150		Year 151		Year 152		Year 153		Year 154		Year 155		Year 156		Year 157		Year 158		Year 159		Year 160		Year 161		Year 162		Year 163		Year 164		Year 165		Year 166		Year 167		Year 168		Year 169		Year 170		Year 171		Year 172		Year 173		Year 174		Year 175		Year 176		Year 177		Year 178		Year 179		Year 180		Year 181		Year 182		Year 183		Year 184		Year 185		Year 186		Year 187		Year 188		Year 189		Year 190		Year 191		Year 192		Year 193		Year 194		Year 195		Year 196		Year 197		Year 198		Year 199		Year 200		Year 201		Year 202		Year 203		Year 204		Year 205		Year 206		Year 207		Year 208		Year 209		Year 210		Year 211		Year 212		Year 213		Year 214		Year 215		Year 216		Year 217		Year 218		Year 219		Year 220		Year 221		Year 222		Year 223		Year 224		Year 225		Year 226		Year 227		Year 228		Year 229		Year 230		Year 231		Year 232		Year 233		Year 234		Year 235		Year 236		Year 237		Year 238		Year 239		Year 240		Year 241		Year 242		Year 243		Year 244		Year 245		Year 246		Year 247		Year 248		Year 249		Year 250		Year 251		Year 252		Year 253		Year 254		Year 255		Year 256		Year 257		Year 258		Year 259		Year 260		Year 261		Year 262		Year 263		Year 264		Year 265		Year 266		Year 267		Year 268		Year 269		Year 270		Year 271		Year 272		Year 273		Year 274		Year 275		Year 276		Year 277		Year 278		Year 279		Year 280		Year 281		Year 282		Year 283		Year 284		Year 285		Year 286		Year 287		Year 288		Year 289		Year 290		Year 291		Year 292		Year 293		Year 294		Year 295		Year 296		Year 297		Year 298		Year 299		Year 300		Year 301		Year 302		Year 303		Year 304		Year 305		Year 306		Year 307		Year 308		Year 309		Year 310		Year 311		Year 312		Year 313		Year 314		Year 315		Year 316		Year 317		Year 318		Year 319		Year 320		Year 321		Year 322		Year 323		Year 324		Year 325		Year 326		Year 327		Year 328		Year 329		Year 330		Year 331		Year 332		Year 333		Year 334		Year 335		Year 336		Year 337		Year 338		Year 339		Year 340		Year 341		Year 342		Year 343		Year 344		Year 345		Year 346		Year 347		Year 348		Year 349		Year 350		Year 351		Year 352		Year 353		Year 354		Year 355		Year 356		Year 357		Year 358		Year 359		Year 360		Year 361		Year 362		Year 363		Year 364		Year 365		Year 366		Year 367		Year 368		Year 369		Year 370		Year 371		Year 372		Year 373		Year 374		Year 375		Year 376		Year 377		Year 378		Year 379		Year 380		Year 381		Year 382		Year 383		Year 384		Year 385		Year 386		Year 387		Year 388		Year 389		Year 390		Year 391		Year 392		Year 393		Year 394		Year 395		Year 396		Year 397		Year 398		Year 399		Year 400		Year 401		Year 402		Year 403		Year 404		Year 405		Year 406		Year 407		Year 408		Year 409		Year 410		Year 411		Year 412		Year 413		Year 414		Year 415		Year 416		Year 417		Year 418		Year 419		Year 420		Year 421		Year 422		Year 423		Year 424		Year 425		Year 426		Year 427		Year 428		Year 429		Year 430		Year 431		Year 432		Year 433		Year 434		Year 435		Year 436		Year 437		Year 438		Year 439		Year 440		Year 441		Year 442		Year 443		Year 444		Year 445		Year 446		Year 447		Year 448		Year 449		Year 450		Year 451		Year 452		Year 453		Year 454		Year 455		Year 456		Year 457		Year 458		Year 459		Year 460		Year 461		Year 462		Year 463		Year 464		Year 465		Year 466		Year 467		Year 468		Year 469		Year 470		Year 471		Year 472		Year 473		Year 474		Year 475		Year 476		Year 477		Year 478		Year 479		Year 480		Year 481		Year 482		Year 483		Year 484		Year 485		Year 486		Year 487		Year 488		Year 489		Year 490		Year 491		Year 492		Year 493		Year 494		Year 495		Year 496		Year 497		Year 498		Year 499		Year 500		Year 501		Year 502		Year 503		Year 504		Year 505		Year 506		Year 507		Year 508		Year 509		Year 510		Year 511		Year 512		Year 513		Year 514		Year 515		Year 516		Year 517		Year 518		Year 519		Year 520		Year 521		Year 522		Year 523		Year 524		Year 525		Year 526		Year 527		Year 528		Year 529		Year 530		Year 531		Year 532		Year 533		Year 534		Year 535		Year 536		Year 537		Year 538		Year 539		Year 540		Year 541		Year 542		Year 543		Year 544		Year 545		Year 546		Year 547		Year 548		Year 549		Year 550		Year 551		Year 552		Year 553		Year 554		Year 555		Year 556		Year 557		Year 558		Year 559		Year 560		Year 561		Year 562		Year 563		Year 564		Year 565		Year 566		Year 567		Year 568		Year 569		Year 570		Year 571		Year 572		Year 573		Year 574		Year 575		Year 576		Year 577		Year 578		Year 579		Year 580		Year 581		Year 582		Year 583		Year 584		Year 585		Year 586		Year 587		Year 588		Year 589		Year 590		Year 591		Year 592		Year 593		Year 594		Year 595		Year 596		Year 597		Year 598		Year 599		Year 600		Year 601		Year 602		Year 603		Year 604		Year 605		Year 606		Year 607		Year 608		Year 609		Year 610		Year 611		Year 612		Year 613		Year 614		Year 615		Year 616		Year 617		Year 618		Year 619		Year 620		Year 621		Year 622		Year 623		Year 624		Year 625		Year 626		Year 627		Year 628		Year 629		Year 630		Year 631		Year 632		Year 633		Year 634		Year 635		Year 636		Year 637		Year 638		Year 639		Year 640		Year 641		Year 642		Year 643		Year 644		Year 645		Year 646		Year 647		Year 648		Year 649		Year 650		Year 651		Year 652		Year 653		Year 654		Year 655		Year 656		Year 657		Year 658		Year 659		Year 660		Year 661		Year 662		Year 663		Year 664		Year 665		Year 666		Year 667		Year 668		Year 669		Year 670		Year 671		Year 672		Year 673		Year 674		Year 675		Year 676		Year 677		Year 678		Year 679		Year 680		Year 681		Year 682		Year 683		Year 684		Year 685		Year 686		Year 687		Year 688		Year 689		Year 690		Year 691		Year 692		Year 693		Year 694		Year 695		Year 696		Year 697		Year 698		Year 699		Year 700		Year 701		Year 702		Year 703		Year 704		Year 705		Year 706		Year 707		Year 708		Year 709		Year 710		Year 711		Year 712		Year 713		Year 714		Year 715		Year 716		Year 717		Year 718		Year 719		Year 720		Year 721		Year 722		Year 723		Year 724		Year 725		Year 726		Year 727		Year 728		Year 729		Year 730		Year 731		Year 732		Year 733		Year 734		Year 735		Year 736		Year 737		Year 738		Year 739		Year 740		Year 741		Year 742		Year 743		Year 744		Year 745		Year 746		Year 747		Year 748		Year 749		Year 750		Year 751		Year 752		Year 753		Year 754		Year 755		Year 756		Year 757		Year 758		Year 759		Year 760		Year 761		Year 762		Year 763		Year 764		Year 765		Year 766		Year 767		Year 768		Year 769		Year 770		Year 771		Year 772		Year 773		Year 774		Year 775		Year 776		Year 777		Year 778		Year 779		Year 780		Year 781		Year 782		Year 783		Year 784		Year 785		Year 786		Year 787		Year 788		Year 789		Year 790		Year 791		Year 792		Year 793		Year 794		Year 795		Year 796		Year 797		Year 798		Year 799		Year 800		Year 801		Year 802		Year 803		Year 804		Year 805		Year 806		Year 807		Year 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ATTACHMENT 1
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Two bankruptcy reorganizations indicates the impact of reorganizing part of a company's debt. In the first bankruptcy, the company's debt was reorganized into a new structure, and the company's assets were sold to pay off the debt. In the second bankruptcy, the company's debt was reorganized into a new structure, and the company's assets were sold to pay off the debt.

Regulatory Books		Year 1		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		Year 8		Year 9		Year 10		Year 11		Year 12		Year 13		Year 14		Year 15		Year 16		Year 17		Year 18		Year 19		Year 20		Year 21		Year 22		Year 23		Year 24		Year 25		Year 26		Year 27		Year 28		Year 29		Year 30		Year 31		Year 32		Year 33		Year 34		Year 35		Year 36		Year 37		Year 38		Year 39		Year 40		Year 41		Year 42		Year 43		Year 44		Year 45		Year 46		Year 47		Year 48		Year 49		Year 50		Year 51		Year 52		Year 53		Year 54		Year 55		Year 56		Year 57		Year 58		Year 59		Year 60		Year 61		Year 62		Year 63		Year 64		Year 65		Year 66		Year 67		Year 68		Year 69		Year 70		Year 71		Year 72		Year 73		Year 74		Year 75		Year 76		Year 77		Year 78		Year 79		Year 80		Year 81		Year 82		Year 83		Year 84		Year 85		Year 86		Year 87		Year 88		Year 89		Year 90		Year 91		Year 92		Year 93		Year 94		Year 95		Year 96		Year 97		Year 98		Year 99		Year 100		Year 101		Year 102		Year 103		Year 104		Year 105		Year 106		Year 107		Year 108		Year 109		Year 110		Year 111		Year 112		Year 113		Year 114		Year 115		Year 116		Year 117		Year 118		Year 119		Year 120		Year 121		Year 122		Year 123		Year 124		Year 125		Year 126		Year 127		Year 128		Year 129		Year 130		Year 131		Year 132		Year 133		Year 134		Year 135		Year 136		Year 137		Year 138		Year 139		Year 140		Year 141		Year 142		Year 143		Year 144		Year 145		Year 146		Year 147		Year 148		Year 149		Year 150		Year 151		Year 152		Year 153		Year 154		Year 155		Year 156		Year 157		Year 158		Year 159		Year 160		Year 161		Year 162		Year 163		Year 164		Year 165		Year 166		Year 167		Year 168		Year 169		Year 170		Year 171		Year 172		Year 173		Year 174		Year 175		Year 176		Year 177		Year 178		Year 179		Year 180		Year 181		Year 182		Year 183		Year 184		Year 185		Year 186		Year 187		Year 188		Year 189		Year 190		Year 191		Year 192		Year 193		Year 194		Year 195		Year 196		Year 197		Year 198		Year 199		Year 200		Year 201		Year 202		Year 203		Year 204		Year 205		Year 206		Year 207		Year 208		Year 209		Year 210		Year 211		Year 212		Year 213		Year 214		Year 215		Year 216		Year 217		Year 218		Year 219		Year 220		Year 221		Year 222		Year 223		Year 224		Year 225		Year 226		Year 227		Year 228		Year 229		Year 230		Year 231		Year 232		Year 233		Year 234		Year 235		Year 236		Year 237		Year 238		Year 239		Year 240		Year 241		Year 242		Year 243		Year 244		Year 245		Year 246		Year 247		Year 248		Year 249		Year 250		Year 251		Year 252		Year 253		Year 254		Year 255		Year 256		Year 257		Year 258		Year 259		Year 260		Year 261		Year 262		Year 263		Year 264		Year 265		Year 266		Year 267		Year 268		Year 269		Year 270		Year 271		Year 272		Year 273		Year 274		Year 275		Year 276		Year 277		Year 278		Year 279		Year 280		Year 281		Year 282		Year 283		Year 284		Year 285		Year 286		Year 287		Year 288		Year 289		Year 290		Year 291		Year 292		Year 293		Year 294		Year 295		Year 296		Year 297		Year 298		Year 299		Year 300		Year 301		Year 302		Year 303		Year 304		Year 305		Year 306		Year 307		Year 308		Year 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709		Year 710		Year 711		Year 712		Year 713		Year 714		Year 715		Year 716		Year 717		Year 718		Year 719		Year 720		Year 721		Year 722		Year 723		Year 724		Year 725		Year 726		Year 727		Year 728		Year 729		Year 730		Year 731		Year 732		Year 733		Year 734		Year 735		Year 736		Year 737		Year 738		Year 739		Year 740		Year 741		Year 742		Year 743		Year 744		Year 745		Year 746		Year 747		Year 748		Year 749		Year 750		Year 751		Year 752		Year 753		Year 754		Year 755		Year 756		Year 757		Year 758		Year 759		Year 760		Year 761		Year 762		Year 763		Year 764		Year 765		Year 766		Year 767		Year 768		Year 769		Year 770		Year 771		Year 772		Year 773		Year 774		Year 775		Year 776		Year 777		Year 778		Year 779		Year 780		Year 781		Year 782		Year 783		Year 784		Year 785		Year 786		Year 787		Year 788		Year 789		Year 790		Year 791		Year 792		Year 793		Year 794		Year 795		Year 796		Year 797		Year 798		Year 799		Year 800		Year 801		Year 802		Year 803		Year 804		Year 805		Year 806		Year 807		Year 808		Year 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909		Year 910		Year 911		Year 912		Year 913		Year 914		Year 915		Year 916		Year 917		Year 918		Year 919		Year 920		Year 921		Year 922		Year 923		Year 924		Year 925		Year 926		Year 927		Year 928		Year 929		Year 930		Year 931		Year 932		Year 933		Year 934		Year 935		Year 936		Year 937		Year 938		Year 939		Year 940		Year 941		Year 942		Year 943		Year 944		Year 945		Year 946		Year 947		Year 948		Year 949		Year 950		Year 951		Year 952		Year 953		Year 954		Year 955		Year 956		Year 957		Year 958		Year 959		Year 960	
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Financial Board		Fiscal Year 2024																				Total 2024		Grand Total		Notes			
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20								
Revenue Stream		Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Sales		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Gross Profit		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Net Profit		7,200	7,200	7,375	7,375	7,550	7,550	7,725	7,725	7,900	7,900	8,075	8,075	8,250	8,250	8,425	8,425	8,600	8,600	8,775	8,775	8,950	8,950	9,125	9,125	9,300	9,300	9,475	9,475
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Expenses		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Liabilities & Equity		12,000	12,000	12,500	12,500	13,000	13,000	13,500	13,500	14,000	14,000	14,500	14,500	15,000	15,000	15,500	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,500	17,500	18,000	18,000	18,500	18,500
Total Income		12,000	12,000																										

At a glance	Regulatory focus	Financial focus
<ul style="list-style-type: none"> • Cost of capital – Weighted average cost of capital • Value – Shareholder value • Capital of Finance – Shareholder's Equity • Investment – ROI (Return on Investment) • Costs – Cost of Capital • Financial Performance – Cost of Equity • Financial Risk – Value at Risk • Financial Risk – Value at Risk • Financial Risk – Value at Risk 	<ul style="list-style-type: none"> • Cost of Capital – Weighted average cost of capital • Value – Shareholder value • Capital of Finance – Shareholder's Equity • Investment – ROI (Return on Investment) • Costs – Cost of Capital • Financial Performance – Cost of Equity • Financial Risk – Value at Risk • Financial Risk – Value at Risk • Financial Risk – Value at Risk 	<ul style="list-style-type: none"> • Cost of Capital – Weighted average cost of capital • Value – Shareholder value • Capital of Finance – Shareholder's Equity • Investment – ROI (Return on Investment) • Costs – Cost of Capital • Financial Performance – Cost of Equity • Financial Risk – Value at Risk • Financial Risk – Value at Risk • Financial Risk – Value at Risk

Qwest Corporation 1/1/2008 Net Book Detail (\$000)

Account	Category	Financial Reporting (FR)			FCC Reporting (MR)			Net Plant		Reserve Percent	
		Investment a	Reserve b	Net Plant c=a-b	Investment d	Reserve e	Net Plant f=d-e	Difference g=c-f		FR h=b/a	MR i=e/d
2111 LAND		100,674	0	100,674	100,674		100,674	0		0.0%	0.0%
2112 MOTOR VEHICLES		371,554	(245,003)	126,551	371,554	(261,157)	110,397	16,154		65.9%	70.3%
2113 AIRCRAFT		1,875	(825)	1,050	1,875	(848)	1,026	23		44.0%	45.2%
2114 TOOLS AND OTHER WORK EQUIP		294,521	(169,500)	125,022	294,521	(84,174)	210,347	(85,328)		57.6%	28.6%
2121 BUILDINGS		2,766,656	(936,068)	1,860,558	2,764,408	(803,305)	1,961,104	(120,548)		33.5%	28.9%
2122 FURNITURE		3,164	(2,750)	414	3,164	(2,775)	389	25		86.9%	87.7%
2122 ARTWORKS		1,130		1,130		0	1,130	0		0.0%	0.0%
2123 OFFICE EQUIPMENT		65,815	(57,364)	8,421	65,860	(58,522)	7,138	1,283		87.2%	89.1%
2124 GEN PURPOSE CMPTR		1,419,528	(1,385,638)	53,888	1,424,541	(1,381,103)	33,438	20,451		98.2%	97.7%
SUB TOTAL GENERAL SUPPORT		5,054,818	(2,777,208)	2,277,709	5,047,528	(2,601,883)	2,445,645	(167,635)		54.8%	51.5%
2211 ANALOG SW EQUIP					0	39,191	39,191	(39,191)		0.0%	0.0%
2212 DIGITAL SW EQUIP		7,702,056	(5,403,896)	2,298,361	7,488,970	(4,208,818)	3,280,352	(881,881)		70.2%	56.3%
2220 OPERATOR SYSTEMS		18,928	(14,033)	4,795	18,790	(10,874)	7,916	(3,121)		74.5%	57.6%
2231 RADIO SYSTEMS		233,800	(202,709)	31,090	233,688	(206,304)	27,384	3,727		86.7%	88.3%
2232 CIRCUIT		10,574,872	(7,086,613)	3,488,259	10,583,383	(7,720,645)	2,862,718	(625,541)		67.0%	73.0%
SUB TOTAL CENTRAL OFFICE		18,529,556	(12,707,051)	5,822,505	18,304,791	(12,107,250)	6,197,541	(375,036)		68.6%	66.1%
2311 STATION APPARATUS		35,985	3	35,988	35,985	(15,615)	20,370	15,618		0.0%	43.4%
2341 LARGE PBX		25	(0)	25	25	1,379	1,404	(1,379)		0.0%	-5485.0%
2351 PUBLIC TELEPHONE EQUIPMENT		0	0	0	0	(0)	0	0		-127.1%	100.0%
2362 OTHER TERMINAL EQUIPMENT		408,542	(326,792)	81,750	408,520	(240,023)	168,497	(86,748)		80.0%	58.8%
SUB TOTAL INFORMATION ORIGIN / TERMINATION		444,552	(326,789)	117,763	444,531	(254,260)	190,271	(72,508)		73.5%	57.2%
2411 POLE LINES		261,676	(177,609)	83,766	261,604	(327,327)	(65,723)	149,490		68.0%	125.1%
2421 AERIAL CABLE		1,345,546	(939,967)	405,579	1,344,880	(1,055,327)	289,553	116,027		69.9%	78.5%
2422 UNDERGROUND CABLE		3,464,451	(2,677,081)	787,369	3,461,019	(2,405,632)	1,055,387	(268,017)		77.3%	69.5%
2423 BURIED CABLE		10,711,588	(6,807,283)	3,904,305	10,574,847	(7,213,892)	3,360,956	543,349		63.8%	68.2%
2424 SUBMARINE CABLE		11,702	(9,111)	2,591	11,691	(8,524)	3,168	(577)		77.6%	72.9%
2426 INTRABUILDING CABLE		389,217	(287,003)	92,214	389,176	(336,420)	52,756	39,459		76.3%	86.4%
2431 AERIAL WIRE		43,544	(35,518)	8,026	43,544	(70,782)	(27,238)	35,244		81.6%	162.5%
2441 CONDUIT SYSTEMS		2,286,042	(719,885)	1,566,177	2,281,995	(734,457)	1,547,538	18,638		31.5%	32.2%
SUB TOTAL CABLE AND WIRE		18,513,766	(11,683,737)	6,850,029	18,368,757	(12,152,340)	6,216,416	633,613		63.0%	66.2%
TOTAL TPIS (before amortizable assets)		42,542,792	(27,474,785)	15,068,006	42,166,806	(27,115,733)	15,049,872	18,134		64.8%	64.3%
2681 CAPITAL LEASE		34,815	(14,313)	20,502	34,815	(14,313)	20,502	0		41.1%	41.1%
2682 LEASEHOLD IMPROVEMENTS		57,493	0	57,493	57,488	0	57,488	5		0.0%	0.0%
SUB TOTAL AMORTIZABLE TANGIBLE ASSETS		92,307	(14,313)	77,995	92,302	(14,313)	77,989	5		15.5%	15.5%
2690 INTANGIBLES		790,145	0	790,145	808,548	0	808,548	(18,403)		0.0%	0.0%
TOTAL TELEPHONE PLANT IN SERVICE		43,425,244	(27,489,099)	15,956,146	43,065,456	(27,130,046)	15,936,410	(284)		63.3%	63.0%
2003 PLANT UNDER CONSTRUCTION		107,257	(161)	107,096	107,034	(161)	106,873	222		0.2%	0.2%
2006 NON-OPERATING PLANT		5,844	0	5,844	5,944	0	5,944	0		0.0%	0.0%
SUB TOTAL PLANT UNDER CONST AND NON-OP		113,201	(161)	113,040	112,978	(161)	112,817	222		0.1%	0.1%
GRAND TOTAL		43,538,445	(27,489,260)	16,049,186	43,179,434	(27,130,207)	16,049,227	(41)		63.1%	62.8%
CORRESPONDING ARJIS ROWS 218 / 340 / 350					43,179,434	27,130,207	16,049,227				

(Data filed in Attachment A of Qwest's Waiver of Depreciation Regulation, WC 05-259)

ATTACHMENT K

EX PARTE OR LATE FILED



Qwest
607 14th Street NW, Suite 950
Washington, DC 20005
Phone 202.429.3122
Fax 202.293.0561

Ed Henry
Director - Finance

ORIGINAL

REDACTED - FOR PUBLIC INSPECTION

February 9, 2006

RECEIVED

FEB - 9 2006

VIA HAND DELIVERY

EX PARTE

Federal Communications Commission
Office of Secretary

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW B-204
445 12th Street, S.W.
Washington, DC 20554

Rc: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation
Regulation Pursuant to 47 C.F.R. § 1.3 - WC Docket No. 05-259¹*

Dear Ms. Dortch:

On January 30, 2006, Ed Henry and Jerome Mueller (in person), and Betty Knapp and Marti Gude (by phone), all of Qwest, met with Rodger Woock, Steve Morris, Fatina Franklin, Stephen Steckler, Rick Robinson, and Ronald Kaufman of the Wireline Competition Bureau to discuss the above-captioned Petition for Waiver.

During the meeting, the Commission staff requested that Qwest provide additional information relating to the curve shape parameter of the depreciation rate element of the pole attachment calculation. The attached document provides the requested information.

With this letter, Qwest is voluntarily submitting confidential material pursuant to both FCC Rules 47 C.F.R. §§ 0.457 and 0.459. Attached hereto is a redacted version of the confidential material which has been marked: "**REDACTED - FOR PUBLIC INSPECTION**". The confidential data is competitively sensitive information and should not be made available for public inspection. A release of this data would have a substantial negative competitive impact on Qwest. Qwest provides justification for such confidential treatment in the attached Appendix. If Qwest's request for confidential treatment of this information is denied by the Commission, Qwest requests that the information be returned to Qwest pursuant to § 0.459(e) of the Commission's Rules, 47 C.F.R. § 0.459(e).

¹ See Public Notice, 20 FCC Rcd 13836 (rel. Aug. 22, 2005).

No. of Copies rec'd 091
List ABCDE

Ms. Marlene H. Dortch
February 9, 2006

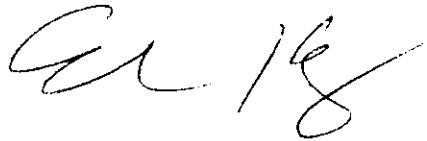
Page 2 of 2

A copy of this letter (in confidential form and marked "**CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**"), with the confidential material appended thereto, is also being filed simultaneously today in WC Docket No. 05-259.

Pursuant to FCC Rule 47 C.F.R. § 1.1206(b), this ex parte presentation is being filed via hand delivery. An original and one copy are being submitted as well as one copy to be stamped as received and returned to the messenger who has been instructed to wait for it.

Please contact the undersigned with any questions.

Sincerely,



Enclosures (Redacted Material, Appendix)

cc: Tamara Preiss (Tamara.Preiss@fcc.gov)
Fatima Franklin (Fatima.Franklin@fcc.gov)
Steven Morris (Steve.Morris@fcc.gov)
Richard Robinson (Richard.Robinson@fcc.gov)
Ronald Kaufman (Ronald.Kaufman@fcc.gov)
Rodger Woock (Rodger.Woock@fcc.gov)
Stephen Steckler (Stephen.Steckler@fcc.gov)

APPENDIX

Confidentiality Justification

Qwest requests confidential treatment of the data being provided, because the data contains information which is competitively sensitive and would have a negative competitive impact on Qwest were it made publicly available. Such data should be afforded confidential treatment under both 47 C.F.R. § 0.457 and § 0.459.

47 C.F.R. § 0.457

The data in Attachment 1 are confidential and proprietary to Qwest as "commercial or financial information" under Section 0.457(d). Disclosure of such information to the public would risk revealing company-sensitive proprietary information in connection with its business plans. Therefore, in the normal course of Commission practice this information should be considered "Records not routinely available for public inspection."

47 C.F.R. § 0.459

The data in Attachment 1 are also subject to protection under 47 C.F.R. § 0.459, as demonstrated below.

Information for which confidential treatment is sought

Qwest requests that Attachment 1 be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. The spreadsheet, Attachment 1, contains competitively-sensitive data which Qwest maintains as confidential and is not normally made available to the public. Release of the data would have a substantial negative competitive impact on Qwest.

Commission proceeding in which the information was submitted

In response to a request from Rodger Woock, Steve Morris, Fatina Franklin, Stephen Steckler, Rick Robinson and Ronald Kaufman of the Wireline Competition Bureau regarding *Petition of Qwest Corporation for Waiver of Depreciation Regulation Pursuant to 47 C.F.R. § 1.3* – WC Docket No. 05-259.

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The financial information designated as confidential is detailed confidential commercial financial data and accounting information. As noted above, the data is competitively sensitive information which is not normally released to the public as such release would have a substantial negative competitive impact on Qwest.

Degree to which the information concerns a service that is subject to competition; and
Manner in which disclosure of the information could result in substantial competitive
harm

This type of information would generally not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), demonstrating that the Commission already anticipates that release of this kind of information likely could produce competitive harm.

Measures taken by Qwest to prevent unauthorized disclosure; and availability of the
information to the public and extent of any previous disclosure of the information to third
parties

Qwest has generally treated the information in question as confidential and has protected it from disclosure to parties outside the company.

Justification of the period during which Qwest asserts that the material should not be
available for public disclosure

Qwest cannot determine at this time any date on which this information should not be considered confidential or would become stale for purposes of the current inquiry, except that the information would be handled in conformity with general Qwest records retention policies, absent any continuing legal hold on the data.

Other information that Qwest believes may be useful in assessing whether its request for
confidentiality should be granted

Under applicable Commission and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The information in question satisfies this test.

REDACTED - FOR PUBLIC INSPECTION

ATTACHMENT L



Qwest
607 14th Street NW, Suite 950
Washington, DC 20005
Phone 202.429.3122
Fax 202.293.0561

Ed Henry
Director - Finance

March 6, 2006

EX PARTE

FILED VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW B-204
445 12th Street, S.W.
Washington, DC 20554

Re: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation
Regulation Pursuant to 47 C.F.R. § 1.3 – WC Docket No. 05-259¹*

Dear Ms. Dortch:

On October 24, 2005, in the above-captioned proceeding, as a follow-up to an October 20, 2005 meeting of the undersigned, along with Jerome Mueller and Marti Gude, also of Qwest, with Tamara Preiss, Fatina Franklin, Steve Morris, Rick Robinson and Ronald Kaufman of the Wireline Competition Bureau of the FCC, Qwest submitted confidential and redacted versions of an *ex parte*. The confidential version of that *ex parte* attached a spreadsheet that was entitled "Pole Rate Analysis and State Comparison Worksheet" (the non-confidential version of the *ex parte* had attached to it a redacted version of the spreadsheet, along with a separate non-confidential document). Both the confidential and redacted versions of the *ex parte* and attachments were filed in hard copy with the Office of the Secretary.

On December 1, 2005, Qwest submitted confidential and redacted versions of an *ex parte* and various attachments that responded to questions raised by the FCC staff in connection with the October 24th submission. On December 7, 2005, the undersigned transmitted via e-mail additional information responsive to FCC staff questions and concerning pole attachment rates in Idaho and Colorado. On January 23, 2006, Qwest re-filed the confidential version of the spreadsheet that had been submitted on October 24th. The re-filed version of the confidential spreadsheet included the correct markings on each page of the document – **CONFIDENTIAL–NOT FOR PUBLIC INSPECTION** – to denote its confidential status. Also included with the January 23rd submission was an appended Confidentiality Justification.

On February 9, 2006, Qwest submitted confidential and redacted versions of an *ex parte* that provided additional information relating to the curve shape parameter of the depreciation

¹ See Public Notice, 20 FCC Red 13836 (rel. Aug. 22, 2005).

Ms. Marlene H. Dortch
March 6, 2006

Page 2 of 3

rate element of the pole attachment calculation. This information was provided as a follow-up to a January 30, 2006, meeting of the undersigned and Jerome Mueller (in person), and Betty Knapp and Marti Gude (by phone), all of Qwest, with Rodger Woock, Steve Morris, Fatina Franklin, Stephen Steckler, Rick Robinson, and Ronald Kaufman of the Wireline Competition Bureau to discuss the Qwest Petition for Waiver. Included with the February 9th *ex parte* was a Confidentiality Justification, along with an indication that Qwest was voluntarily submitting the confidential material pursuant to FCC Rules 47 C.F.R. Sections 0.457 and 0.459 and that should the FCC deny its request for confidentiality, then Qwest would like the information returned pursuant to FCC Rule 47 C.F.R. Section 0.459(e).

Today, Qwest is separately transmitting via e-mail to Dick Kwiatkowski of the FCC staff a revised confidential version of an Excel Workbook that includes all of the spreadsheets previously submitted to the FCC in October and December of 2005 and February of 2006. The Excel Workbook being transmitted today will enable Mr. Kwiatkowski to view the supporting formulae and worksheets "behind" the spreadsheets and upon which the relevant calculations are based.

With this letter, Qwest points out that it is voluntarily re-submitting the confidential version of these spreadsheets -- in a format in which the FCC staff may view the supporting formulae and worksheets -- pursuant to both FCC Rules 47 C.F.R. Sections 0.457 and 0.459. The confidential data is competitively sensitive information and FCC staff should treat it as such. The Confidentiality Justification provided for the spreadsheet submitted by Qwest on January 23rd remains relevant for the Excel Workbook being transmitted today to Mr. Kwiatkowski, but it has been modified to accommodate the additional confidential information being provided today to the FCC staff at their request. The modified Confidentiality Justification is appended to this *ex parte*.

Pursuant to FCC Rule 47 C.F.R. § 1.49(f), this *ex parte* presentation is being filed electronically, via ECFS. Please include it in the record of the above-captioned proceeding. As indicated above, the confidential Excel Workbook, along with a copy of this *ex parte* and the Confidentiality Justification, are being transmitted via e-mail to Mr. Dick Kwiatkowski. Other FCC staff, as indicated below, are being served with a copy of the *ex parte* and Confidentiality Justification.

Please contact the undersigned with any questions.

Sincerely,

/s/ Ed Henry

cc: Dick Kwiatkowski (*ex parte*, appendix and Excel Workbook)
(Richard.Kwiatkowski@fcc.gov)
Tamara Preiss (*ex parte* and appendix only) (Tamara.Preiss@fcc.gov)

Ms. Marlene H. Dortch
March 6, 2006

Page 3 of 3

Fatina Franklin (*ex parte* and appendix only) (Fatina.Franklin@fcc.gov)
Steven Morris (*ex parte* and appendix only) (Steve.Morris@fcc.gov)
Richard Robinson (*ex parte* and appendix only) (Richard.Robinson@fcc.gov)
Ronald Kaufman (*ex parte* and appendix only) (Ronald.Kaufman@fcc.gov)
Rodger Woock (*ex parte* and appendix only) (Rodger.Woock@fcc.gov)
Stephen Steckler (*ex parte* and appendix only) (Stephen.Steckler@fcc.gov)

Appendix

Confidentiality Justification

Qwest requests confidential treatment of the financial information being provided, which also includes rate element data (in an Excel spreadsheet electronic format that includes the supporting formulae and worksheets “behind” the spreadsheet and upon which the relevant calculations are based) because it is confidential and proprietary financial information. That information should be afforded confidential treatment under either (or both) 47 C.F.R. § 0.457 and § 0.459.

47 C.F.R. § 0.457

The financial information designated as confidential is confidential and proprietary to Qwest as “trade secrets and commercial or financial information” under Section 0.457(d). Disclosure of such information to the public would risk revealing company-sensitive proprietary information and would have a substantial negative competitive impact on Qwest.

47 C.F.R. § 0.459

The financial information designated as confidential is also subject to protection under 47 C.F.R. § 0.459, as demonstrated below.

Information for which confidential treatment is sought

Qwest requests that the materials being separately transmitted (from the *ex parte* and this Confidentiality Justification submitted through ECFS) via e-mail directly to the FCC staff person who requested them and designated as “**CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**” be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. Each page of these materials contains confidential and proprietary financial information.

Commission proceeding in which the information was submitted

The information is being submitted in WC Docket No. 05-259, *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation Regulation Pursuant to 47 C.F.R. § 1.3*.

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

As noted above, the financial information designated as confidential is detailed confidential commercial financial data and accounting information. Public disclosure of this information would be harmful to Qwest as it is competitively sensitive.

Degree to which the information concerns a service that is subject to competition; and manner in which disclosure of the information could result in substantial competitive harm

This financial information relates to services that are subject to competition, is not made publicly available by Qwest and generally would not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), demonstrating that the Commission already anticipates that release of this kind of information likely could produce competitive harm.

Measures taken by Qwest to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosure of the information to third parties

Qwest treats this financial information as confidential and has protected it from disclosure to parties outside the company.

Justification of the period during which Qwest asserts that the material should not be available for public disclosure

Qwest cannot determine at this time any date on which this information should not be considered confidential or would become stale for purposes of the current inquiry, except that the information would be handled in conformity with general Qwest records retention policies, absent any continuing legal hold on the data.

Other information that Qwest believes may be useful in assessing whether its request for confidentiality should be granted

Under applicable Commission and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The financial information designated as confidential satisfies this test.

ATTACHMENT M



Qwest
607 14th Street, NW, Suite 950
Washington, DC 20005
Phone 303-383-6608
Facsimile 303-896-1107

Timothy M. Boucher
Corporate Counsel

REDACTED – FOR PUBLIC INSPECTION

Via Courier

EX PARTE

August 2, 2007

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation
Regulation Pursuant to 47 C.F.R. § 1.3 – WC Docket No. 05-259*
Request for Confidential Treatment and Justification

Dear Ms. Dortch:

Qwest Corporation (“Qwest”) requests confidential treatment of certain information contained in the Attachments to the appended letter from Philip E. Grate, Qwest, to Marlene H. Dortch, for filing with the Federal Communications Commission (“Commission” or “FCC”) in the above-captioned proceeding (hereafter referred to as “Attachments”). The letter from Mr. Grate responds to two questions posed to Qwest by Ms. Deena Shetler of the Wireline Competition Bureau in an e-mail to Ms. Melissa Newman of Qwest on July 20, 2007.

The three attachments are entitled as follows: “Three Largest Accounts -- Difference in Net Plant Balances between FCC Books and Financial Reporting Books assuming Qwest had not changed depreciation rates for FCC accounting purposes effective January 1, 2006”; “January 1, 2007 Net Book Detail assuming Qwest had not changed depreciation rates on its FCC (MR) Books effective January 1, 2006 (\$000)”; and “Attachment A -- FR/MR Net Plant Differences as of January 1, 2007 assuming Qwest had not changed depreciation rates on its FCC (MR) Books effective January 1, 2006 (\$M)”. For these Attachments only the data that is confidential has been redacted. The Attachments with confidential information (that is, the non-redacted versions) have been marked “**CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**”. Qwest requests that the non-redacted, confidential versions of the Attachments be withheld from public inspection. Both this request and the letter from Mr. Grate contain no confidential information.

Qwest considers certain information contained in the Attachments pertaining to detailed data associated with GAAP depreciation, hypothetical FCC depreciation reserve levels as of

Ms. Marlene H. Dortch
August 2, 2007
Page 2
Redacted – For Public Inspection

January 1, 2007, and differences between GAAP depreciation and regulated depreciation data to be confidential. This information is confidential financial information that is “not routinely available for public inspection.” As such, Qwest requests confidential treatment of this information and is submitting non-redacted versions of the Attachments pursuant to both FCC rules 47 C.F.R. §§ 0.457(d) and 0.459. Pursuant to Commission rule, 47 C.F.R. § 0.459(b), Qwest provides justification for the confidential treatment of this information in the Appendix to this letter.

Qwest is simultaneously submitting, under separate cover, the redacted versions of both Attachments, which are marked “**REDACTED - FOR PUBLIC INSPECTION**”, wherein the confidential information has been omitted. Both the redacted and non-redacted versions of these Attachments are being served on Staff of the Commission’s Wireline Competition Bureau as indicated below.

Included with both the non-redacted and redacted submissions is the same copy of the letter from Mr. Grate to Ms. Dortch, also dated August 2, 2007. For the non-redacted version of this submission, Qwest is filing an original and one copy, along with a second copy to be stamped and returned to the courier. For the redacted version, Qwest is filing an original and four copies, along with a fifth copy to be stamped and returned to the courier.

If you have any questions concerning this submission, please call me on 303-383-6608.

Sincerely,

/s/ Timothy M. Boucher

Attachments

Copy (via e-mail) to:

Al Lewis (albert.lewis@fcc.gov)

Deena Shetler (deena.shetler@fcc.gov)

APPENDIX

Confidentiality Justification

Qwest requests confidential treatment of certain information provided in the Attachments to the letter from Philip E. Grate, Qwest, to Marlene H. Dortch, dated August 2, 2007, for filing with the Federal Communications Commission ("Commission") in WC Docket No. 05-259 (hereafter referred to as "Attachments"). The letter from Mr. Grate responds to two questions posed to Qwest by Ms. Deena Shetler of the Wireline Competition Bureau in an e-mail to Ms. Melissa Newman of Qwest on July 20, 2007. Information contained in the Attachments is confidential financial information that is not routinely made available for public inspection. Such information should be afforded confidential treatment under both 47 C.F.R. § 0.457(d) and § 0.459.

47 C.F.R. § 0.457(d)

Information contained in the Attachments is confidential and proprietary to Qwest as "commercial or financial information" under Section 0.457(d). Disclosure of such information to the public would risk revealing company-sensitive proprietary financial information. Therefore, in the normal course of Commission practice this information should be considered "Records not routinely available for public inspection."

47 C.F.R. § 0.459

Specific information in the Attachments is also subject to protection under 47 C.F.R. § 0.459, as demonstrated below.

Information for which confidential treatment is sought

Qwest requests that the information contained in the Attachments be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. This information is competitively-sensitive financial information which Qwest maintains as confidential and is not normally made available to the public. Release of the information could have a substantial negative competitive impact on Qwest. The confidential information is contained in the non-redacted version of Qwest's Attachments, which are marked with the following legend: **CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**.

Commission proceeding in which the information was submitted

The information is being submitted in *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation Regulation Pursuant to 47 C.F.R. § 1.3* – WC Docket No. 05-259.

Ms. Marlene H. Dortch
August 2, 2007
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Redacted – For Public Inspection

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The financial information designated as confidential is commercial and financial information in the form of detailed data associated with GAAP depreciation and differences between GAAP and regulated depreciation data. As noted above, the data is commercially and financially-sensitive information which is not normally released to the public as such release could have a substantial negative competitive impact on Qwest.

Degree to which the information concerns a service that is subject to competition; and manner in which disclosure of the information could result in substantial competitive harm

The type of competitively-sensitive financial information in the Attachments would generally not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), which demonstrates that the Commission already anticipates that the release of this kind of information likely would produce competitive harm. Qwest confirms that release of its confidential and proprietary information would cause it competitive harm by allowing its competitors to become aware of sensitive proprietary financial information regarding the operation of Qwest's business.

Measures taken by Qwest to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosure of the information to third parties

Qwest has treated and treats the information disclosed in its non-redacted *ex parte* as confidential and has protected it from public disclosure to parties outside of the company.

Justification of the period during which Qwest asserts that the material should not be available for public disclosure

Qwest cannot determine at this time any date on which this information should not be considered confidential or would become stale for purposes of the current proceeding, except that the information would be handled in conformity with general Qwest records retention policies, absent any continuing legal hold on the data.

Other information that Qwest believes may be useful in assessing whether its request for confidentiality should be granted

Under applicable Commission and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The information in question satisfies this test.



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Philip E. Grate
Director – State and Federal Relations

EX PARTE

August 2, 2007

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation
Regulation Pursuant to 47 C.F.R. § 1.3 – WC Docket No. 05-259*

Dear Ms. Dortch:

On July 22, 2005 Qwest Corporation (“Qwest”) filed a petition seeking waiver of the Federal Communications Commission’s (“Commission”) depreciation prescription process in accordance with the waiver requirements the Commission established in the *USTA Depreciation Order*.¹

On May 30, 2007 Qwest filed an *ex parte* regarding the above-captioned proceeding containing responses to five questions from the Wireline Competition Bureau. On June 20, 2007, Phil Grate, in person, and Tim Boucher, Jerome Mueller and Glenda Weibel, by telephone, all of Qwest, and Jim Hannon, by telephone, representing Qwest, met with Albert Lewis, Deena Shetler, Cindy Spiers and Doug Slotten of the Wireline Competition Bureau to discuss the answers Qwest filed May 30. On July 20, Ms. Deena Shetler sent Melissa Newman of Qwest an e-mail asking two follow up questions. Following are Ms. Shetler’s questions and Qwest’s responses.

Question 1:

With regard to the charts attached to Qwest’s May 30 *ex parte*, in response to Question 3 on page 7, you provided information on the three largest accounts’ net plant differences. Please provide that same information assuming that Qwest had not made the technical update. Please also provide the same “Attachment A” you provided with your May 30 *ex parte* but assume that Qwest had not made the technical update.

¹ *In the Matter of 1998 Biennial Regulatory Review – Review of Depreciation Requirements for Incumbent Local Exchange Carriers; United States Telephone Association’s Petition for Forbearance from Depreciation Regulation of Price Cap Local Exchange Carriers, Report and Order in CC Docket No. 98-137, Memorandum Opinion and Order in ASD 98-91, 15 FCC Rcd 242 (1999).*

Ms. Marlene H. Dortch
August 2, 2007

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Response:

Attached is a printout of a Microsoft Excel workbook which contains three worksheets.

Page 1 of 3 is a worksheet entitled “**Three Largest Accounts**” that summarizes the difference in net plant between Qwest’s FCC books and Financial Reporting books assuming Qwest had not changed its depreciation rates for FCC accounting purposes effective January 1, 2006. The worksheet provides beginning of year balances and annual activity for each of the three largest accounts, all other accounts and the aggregate of all accounts.

Page 2 of 3 is a worksheet entitled “**Net Book Detail**” that provides investment, reserve and net plant balances by account as of January 1, 2007 on Qwest’s FCC books and Financial Reporting books assuming Qwest had not changed depreciation rates for FCC accounting purposes effective January 1, 2006.

Page 3 of 3 is a worksheet entitled “**Attachment A**” that provides a breakdown of Net Plant Differences between Qwest’s FCC (MR) books and Financial Reporting (FR) books as of January 1, 2007 assuming Qwest had not changed depreciation rates on its MR Books effective January 1, 2006. The worksheet shows by account Qwest’s MR reserves, FR reserves, the difference between Qwest’s MR and FR reserves, the amount of the MR/FR reserve difference attributable to differences in accounting for cost of removal (COR) under FAS 143 and the amount of MR/FR reserve difference attributable to parameters and timing differences. The worksheet also shows the amount of the MR/FR net plant difference attributable to other investment differences and the total MR/FR net plant difference.

Question 2:

How many Qwest states set their own depreciation rates and how many use the FCC lives?

Response:

For the most part state regulatory commissions have abandoned the practice of prescribing Qwest’s depreciation rates. With the exception of Arizona, no state regulatory commission has released a depreciation prescription order for Qwest in this decade. In several states, Qwest no longer reports depreciation expense to the state commission.

The Arizona Corporation Commission (“ACC”) is the exception. The ACC issued a depreciation prescription order in 2000. In 2006 the ACC issued Decision No. 68604 adopting (with modifications not relevant here) a settlement agreement for an alternative form of regulation plan. The settlement agreement provided for Qwest to lengthen its asset lives and reduce its depreciation rates on its Arizona jurisdictional (JR) books.

Ms. Marlene H. Dortch
August 2, 2007

Page 3 of 4

Qwest currently uses state regulatory commission prescribed depreciation lives and factors in seven states, including Arizona. In these seven states Qwest maintains two sets of regulatory books—the JR books, which are state jurisdictional books, and the MR books, which are kept for FCC reporting purposes.

In its other seven states, Qwest keeps one set of books—the MR books—for both FCC and state regulatory purposes. Qwest no longer maintains JR books in these seven states largely because they do not rely on cost of service regulation. Instead, the state regulatory commissions in these seven states regulate Qwest under alternative forms of regulation that are unconcerned with cost of service measures such as depreciation expense.

The seven-to-seven split will probably become eight-to-six. On July 24, 2007 the Washington Utilities and Transportation Commission (“WUTC”) issued Order No. 6 in Docket UT-061624. The order adopts an alternative form of regulation for Qwest. Among other things, Order No. 6 allows Qwest to discontinue JR accounting and to keep one set of books—its MR books—for both FCC and Washington regulatory purposes. The pertinent language follows:

Qwest will keep its books of accounts in accordance with WAC 480-120-355. The accounting method that Qwest commits to use is the same accounting method that it uses to maintain its books for FCC reporting purposes (MR Books).

* * *

Qwest shall file an annual report of Washington intrastate regulated results of operations. The report shall be based on Qwest’s MR Books and shall include the following adjustments:

- a) a directory revenue credit in the amount specified by the settlement agreement the Commission approved in the Dex case;
- b) a credit to its depreciation reserve required for prior sale of rural exchanges;
- c) a credit to its depreciation reserve for sharing under a prior AFOR; and
- d) a standing adjustment reflecting the difference in rate base between its MR Books and its Washington Jurisdictional Books of Account (JR Books) on the date of transition from JR books to MR Books.

The language regarding discontinuance of JR accounting is found in a settlement agreement between the WUTC Staff and Qwest. As the parties entered into settlement negotiations Qwest made sure the WUTC Staff was fully informed of Qwest’s petition for waiver of the Commission’s depreciation rules and of Qwest’s expectation that the Commission would grant the petition. It is my understanding and belief that by agreeing to the language quoted above the WUTC Staff did not consider the Commission’s granting of Qwest’s petition to be problematic in the ongoing regulation of Qwest in Washington. The WUTC’s order is not yet effective.